

P-421/M-88-284AFTER RECONSIDERATION AND VACATING ORDER

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of Northwestern Bell Telephone
Company's TeleChoice Service Offering

ISSUE DATE: January 23, 1989

DOCKET NO. P-421/M-88-284

ORDER AFTER RECONSIDERATION
AND VACATING ORDER

PROCEDURAL HISTORY

On May 4, 1988 Northwestern Bell Telephone Company (NWB or the Company) submitted a miscellaneous tariff filing to the Minnesota Public Utilities Commission (the Commission). The Company sought Commission approval to offer TeleChoice service in Minnesota.

TeleChoice is a product line that consists of five telephone service packages. Each package offers basic local service, flat or measured, with a combination of telephone services that are currently available on an individual tariff basis (call waiting, call forwarding, speed calling, etc.).

On May 23, 1988, the Commission issued its ORDER ACCEPTING FILING, SUSPENDING RATES, AND INITIATING SUMMARY INVESTIGATION in this matter. The Commission directed the Minnesota Department of Public Service (DPS or the Department) to conduct an investigation to determine the fairness and reasonableness of the filing.

The Commission heard oral argument from all the parties on August 17, 1988. Additional comments were heard in a second meeting held on September 28, 1988. On September 30, 1988, the Commission issued its ORDER MODIFYING AND APPROVING TARIFF in this matter.

On October 20, 1988 the DPS filed a Motion for Reconsideration of the September 30, 1988 Order. The DPS based its motion on additional information it gained at the Commission meeting on September 28, 1988.

The Residential Utilities Division of the Office of the Attorney General (RUD-OAG) filed comments on October 20, 1988 supporting the Department's Petition for Reconsideration.

NWB filed comments on October 31, 1988. The Company agreed to reconsideration for the purpose only of discontinuing one of the TeleChoice packages, TeleChoice 12.

The Commission met on November 22, 1988 to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission finds that the issues raised by the DPS and the RUD-OAG are significant and merit consideration. The Commission will reconsider its September 30, 1988 Order in this matter.

In its Motion for Reconsideration, the DPS stated that information given by the Company at the September 28, 1988 meeting indicated that the Company's Telechoice proposal would actually result in an increase in local service rates for some customers. In addition, the Department argued that NWB is engaging in price discrimination by offering the same package at different rates to different customers and that bundling of services, as in Telechoice, does not benefit customers unless it represents a cost savings on services which customers would otherwise have purchased.

In its Motion, the Department demonstrated that the rate for local service with TeleChoice 12 is actually greater than the existing flat rate for unlimited local service. When the Department separated the TeleChoice rates for local services (line price plus usage) from the added service features, Telechoice 12 increased the rates for local service. This is contrary to the Company's earlier assertions during this proceeding.

On July 15, 1988, NWB's responded to the comments of the DPS and the RUD-OAG on the TeleChoice filing. At page 3 item 7 of those comments, the Company stated:

The local service rates are not discounted in the TeleChoice package. The discount comes totally from the profitable services which are part of the package. As shown in our filing, there is enough room between the cost and the price of these services to provide the entire package discount. The monthly rate for local service is not changed in this proposal.

The Commission specifically noted this representation in its September 30, 1988 Order at page 3: "The Commission notes that Telechoice does not discount local flat or measured service, it merely offers packages of optional service which are discounted."

The Commission finds that TeleChoice 12 represents an increase in the rates NWB is authorized to charge for local service. This is contrary to the Commission's understanding of Telechoice based on the Company's representation that Telechoice does not change the Company's monthly rate for local service.

The Commission finds that NWB has not justified an increase in local service rates under either Minn. Stat. §§ 237.63 or 237.075. The Commission has not authorized an increase in local service rates for the TeleChoice service offering and will not do so here.

Further, it is not clear to the Commission how the remaining TeleChoice packages are priced. The Commission cannot determine from the Company's filings that the discounts being offered to customers are, in fact, solely applied to the optional services contained in a particular package and do not change the rates for local flat or measured service. The Company has shown only the discounts for Telechoice as a package, it has not shown what the discount is for any single service feature. Also, disparities exist in the actual rates charged for the added service features in all the TeleChoice packages. The Commission finds that this is discriminatory and merits rejection of the tariff.

Finally, the Commission notes that NWB did not charge customers for switching to or from any TeleChoice package or from one package to another. The Commission will require the Company to allow customers who have chosen a TeleChoice package to change to any other service authorized by the Commission without incurring a charge for changing to that service.

ORDER

1. The Department of Public Service's Motion for Reconsideration is hereby granted.
2. The Commission's Order of September 30, 1988 is hereby vacated.
3. The Company shall allow customers who have chosen a TeleChoice package to change to any other service authorized by the Commission without incurring a charge for changing to that service.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)